GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Industries & Commerce Department – Package of incentives for M/s.Celkon Impex Pvt. Limited, M/s.Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s. Bhagwati Products Limited (Micromax) and M/s. LAVA International Limited for the units proposed to be set-up in Sri Venkateswara Mobile and Electronics Manufacturing Hub, Renigunta &Yerpedu Mandals, Chittoor District for manufacturing mobile handsets, etc.–Orders - Issued.

INDUSTRIES AND COMMERCE (POLICY & INVESTMENT) DEPARTMENT

G.O.MS.No. 57 **Dated: 30-04-2016**

Read the following:-

1. G.O.Ms.No.36, Industries & Commerce (IP & INF) Dept. dt:29.04.2015.
2. G.O.Ms.No.16, ITE& C (Promotions) Dept. Dt:09.09.2014.
3. G.O.Ms.No.7, ITE& C (Promotions) Dept., Dt:06.04.2015
4. Representation of Mr. Guruswamy Naidu, M/s CelkonImpex Pvt. Ltd. to the Secretary, dt: 01.10.2015
5. E-Mails of Mr. Biju Menon, GM, M/s Karbonn Mobiles (United Telelinks (Bangalore) Limited), dt: 09.10.2015
6. E-Mail of Mr. Rakesh Gupta, M/s Bhagwati Products Limited dt: 01.10.2015
7. E-Mail of Mr. Vishal Sharma, M/s LAVA International Ltd dt: 16.10.2015
8. G.O.Ms.No.99, Ind. & Com. (Policy & Investment) Dept. dt. 21.10.2015
9. From the Executive Director, CelkonImpex Pvt. Ltd. letter dt.14.12.2015.
10. Empowered Committee of Secretaries Meeting held on 29.03.2016.
11. State Investment Promotion Board Meeting held on 11.04.2016.

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O R D E R:

The Industrial Development Policy 2015-20 of the Government of Andhra Pradesh issued in the G.O. 1st read above, seeks to attract investments to the tune of Rs. 2 lakh crore and create employment opportunities for an additional 10 lakh people by the end of 2020. Further, the Andhra Pradesh Electronics Policy 2014-2020 has a stated vision to develop the Electronics Industry as an important growth engine for Andhra Pradesh through effective use of the talent pool, skill enhancement, promotion of innovation & future technologies and creation of excellent infrastructure.

2. To promote large-scale manufacturing and to attract domestic and global investments into the Electronic System Design and Manufacturing (ESDM) sector in India, the Department of Electronics and IT (DeitY), Government of India, has taken various policy initiatives to encourage the development of a domestic manufacturing ecosystem in the country.

3. To capitalize the inherent strengths of Andhra Pradesh and to attract the major entities in the electronics sector, the A.P. Electronic Policy 2014-20 envisages to promote the development of 20 Electronic Manufacturing Clusters (EMCs) by 2020 across the State especially in Visakhapatnam, East Godavari and Chittoor Districts and in the G.O.s 2nd & 3rd read above, orders have been issued providing various incentives to the Electronic Manufacturing units set-up in the State.

4. Within the Electronics Sector, the mobile handset-manufacturing segment constitutes one of the most important segments. The advent of mobile telephony in India has changed the entire paradigm of communications and also spawned a thriving sector of mobile handset manufacturing. This sector is exhibiting strong year-on year growth, which is likely to continue for at least the next two decades before it is expected to stabilize.

5. Historically, India has been an importer of handsets, with import volumes of 225 million handsets in 2014, up 20% from 187.5 million handsets imported in 2013. It is projected that by 2020, the import bill of electronics would surpass that of petroleum, and mobile handsets would be a significant component of the same. It is therefore, imperative that domestic mobile manufacturing be undertaken in a big way. Furthermore, mobile manufacturing involves highly skilled workforce, and a generation of significant amount of IP (Intellectual Property) by way of R&D into both software and hardware.

6. As a significant step forward in this initiative, the Government of Andhra Pradesh proposes to set-up (2) Electronic Manufacturing Clusters near Tirupati Airport, in Renigunta& Yerpedu Mandals, Chittoor District. The 1st EMC is the Sri Venkateswara Mobile and Electronics Manufacturing Hub (SVM&EMH) hereinafter called EMC1, spread over 122 acres of land in Renigunta & Yerpedu Mandals, consisting initially of (4) promoters viz., M/s. CelkonImpex.Pvt. Ltd., M/s. Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s. Bhagwati Products Limited (Micromax), M/s. LAVA International Limited. The 2nd EMC is the APIIC Electronics Manufacturing Hub, hereinafter called EMC2, spread over 501.4 acres of land in Yerpedu Mandal, Chittoor District, to be developed and promoted by the APIIC.

7. In the references 4th to 7th read above, M/s. CelkonImpexPvt. Ltd., M/s. Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s. Bhagwati Products Limited (Micromax) and M/s. LAVA International Ltd. have given their Expression of Intent to set up their units in A.P (in EMC1 referred above) and have requested for a customized package of incentives.

8. It is expected that the EMC1 will act as the anchor EMC and induce further investments in both upstream and downstream segments leading to Tirupati emerging as the Global Manufacturing Hub for electronics, and mobile handsets in particular. The four promoters presently constituting EMC1, are noted brands in the Indian and Global mobile market, and collectively control over one-third of the Indian mobile handset market. The proposal is in conformity with the Government's endeavor to encourage the clustering of mobile and mobile accessory manufacturers around EMC1 so as to develop a cohesive ecosystem. Further, a number of accessory manufacturers (3 Chinese companies and 1 Indian company) have already demonstrated their intent to set up their facilities in EMC1 as well, bolstering the above premise.

9. It is therefore, amply demonstrable that the clustering of four of India's leading mobile brands' manufacturing facility in EMC1 will lead to significant follow-up investment from both upstream and downstream of the value chain. This will also help populate the EMC2. Together, the EMC1 and EMC2 are expected to generate over 20,000 direct and over 40,000 indirect jobs, besides significant upskilling of local youth and creating the scope for high end hardware and software R & D in the future. The development of this ecosystem in Tirupati is expected to spill over to the rest of the State, enabling the Government to attract further investments and create large scale employment.

10. Government after careful examination of the existing policy framework & environment, the requests of the (4) project proponents, the scope for large scale employment generation, the singular potential to help develop an ecosystem around the mobile sector; and considering the fact that these units are among the first to propose setting up of a mobile manufacturing cluster of significant scale in the State; has approved a package of incentives to the (4) mobile units proposed to be set up in Sri Venkateswara Mobile and Electronics Manufacturing Hub, Renigunta & Yerpedu Mandals, Chittoor District and accordingly has issued the G.O. 8th read above, sanctioning the package of incentives to M/s. CelkonImpex Pvt. Ltd., M/s. Karbonn Mobiles [United Telelinks (Bangalore) Limited], M/s. Bhagwati Products Limited (Micromax) and M/s. LAVA International Ltd. for the units proposed to be set up in Sri Venkateswara Mobile and Electronics Manufacturing Hub, Renigunta & Yerpedu Mandals, Chittoor District.

11. In the letter 9th read above, M/s. CelkonImpex Private Limited has requested the Government for making certain changes in the G.O.Ms.No. 99, Industries and Commerce(P & I)Department, dated 21-10-2015 and also sought permission to start manufacturing activity at a temporary location to ensure business continuity, until the factory at SVM&EMH is operational.

12. In this regard, an interactive meeting was held in the ISB with the project proponents of the units located in the Sri Venkateswara Mobile and Electronics Manufacturing Hub, Renigunta & Yerpedu Mandals, Chittoor District on 04.04.2016 under the Chairmanship of Chief Secretary to Government to understand the issues impeding the full-fledged development of the cluster.

13. During the discussions, the representatives of the Manufacturing Hub have informed that Andhra Pradesh is rightly positioned to attract the mobile industry and based on the study they have conducted on various parameters that influence the attractiveness and growth of a region for mobile industry, they have opined that Tirupati Region will be the one of the potential region in India out of the three regions indicated in the study. In order to compete with rest of the world in mobile manufacturing, the State Government needs to create best-in-class incentive package that propels the creation of large mobile manufacturing hubs in Andhra Pradesh.

14. The project proponents of the Sri Venkateswara Mobile and Electronics Manufacturing Hub, Renigunta & Yerpedu Mandals, Chittoor District have informed that hub will target production of 200 million mobile phones and requested for the following changes in the Mobile Manufacturing Policy issued vide G.O.Ms.No.99, Industries and Commerce(P & I) Department, dated 21.10.2015:

(i) To define the Mega Project as a Project with an investment of Rs.250 Crore or create employment to 1000 people.
(ii) To provide 20% Investment Subsidy, subject to the following cap:
    (a) UptoRs. 10 crore for investment upto Rs.100 crore
    (b) Upto Rs.20 crore for investment of more than Rs.100 crore and upto Rs.300 crore.
    (c) Investment above Rs.300 crore, the investment subsidy will be decided on case to case basis
(iii) VAT/SGST and CST – 100% net VAT reimbursement for a period of 10 years, without any investment limit
(iv) Reimbursement of 100% VAT/SGST and CST for parts, components, accessories manufactured in the notified EMC park /clusters for a period of 10 years, without any investment limit [investment of Rs. 10 cr or employment of 100 people]. They have been advised to benchmark the land requirement for the supplier units proposed to be located in the cluster.
(v) Power cost reimbursement - Power cost reimbursement @ 25% of power cost for a period of 5 years, limited to Rs. 2.00 Crore. Uninterrupted power supply shall be provided.
(vi) A dedicated & Uninterrupted 33 KVA substation to be installed by the State Government
(vii) To lower the cost of the unit rate to Rs.4.75/- per unit to support the cluster
(viii) Logistic Subsidy of 25% for transport of components, parts, accessories to factory – Logistic Subsidy of Rs. 50 lakh per year, for a period of 5 years.
(ix) EMC development fund to provide subsidy equivalent to 50% of the grant provided by Central Government under National Policy for Electronics 2012

15. In the reference 10th read above, the Empowered Committee of Secretaries has discussed the proposal and recommended that SIPB may take a view on the requests of the Sri Venkateswara Mobile and Electronics Manufacturing Hub.

16. In the reference 11th read above, the State Investment Promotion Board (SIPB) has examined the requests of the Company and approved the following:

(A) Permitted M/s. Celkon Impex Private Limited to carry out manufacturing of mobile phones in leased premises located at Amararaja Electronics Limited,

Dighuvamagam Village and also can avail the incentives extended in the above G.O. until the factory at SVM&EMH is established.

(B) Approved the following changes in the G.O.Ms.No.99, Industries and Commerce (P & I) Department, dated 21.10.2015:

(i) Mega project status to Mobile and Electronics (as defined in MSIPS policy of GoI) manufacturing companies with investment of Rs.250 Crore or employment of 1000

(ii) 20% investment subsidy, subject to the following cap of:
   a. Upto Rs. 10 crore for investment upto Rs 100 crore
   b. Upto Rs. 20 crore for investment from Rs 100- Rs,.300 crore
   c. Investments above Rs. 300 crore would be considered on a case to case basis.

(iii) 100% net VAT/SGST/CST reimbursement for 8 years, without any investment limit.

(iv) 100% net VAT/CST /SGST reimbursement for parts, components, accessories of mobile phones/tablets/television sets and sub-parts manufactured in notified EMC park/clusters for 8 years, without any investment limit.

(v) Logistic subsidy of 25% of cost incurred on domestic transports and sum of Rs. 50 lakh per annum subsidy on Logistics for 5 years.

(vi) Power cost reimbursement @25% of power cost for 5 years, limited to Rs.2.00 crore

(vii) Dedicated 33 KVA substation shall be installed by Government .

(viii) Subsidy equivalent to 50% of grant provided by Govt. of India under National Policy for Electronics 2012 i.e. 25% limited to Rs. 25 crore for the development of EMC in terms of the cost incurred in developing infrastructure facilities, roads, power, water, testing faculties and social infrastructure etc. on the lines of U.P. Electronics Manufacturing 2014.

(ix) All the benefits available under this policy will be made applicable to the first 15 ancillaries in the notified EMCs in the State.

(x) All other incentives shall be as per G.O.Ms.No.99, dated 21.10.2015.

17. Government after careful examination of the recommendations of the State Investment Promotion Board, and in order to ensure clarity and in **supersession** of orders issued erlier vide G.O.Ms.No.99, Industries & Commerce (P&I) Department, dt:21.10.2015 hereby issue the following orders regarding the eligible package of incentives applicable to M/s. Celkon Implex Pvt. Limited, M/s. Karbon Mobiles [United telelinks(Bangalore) Limited], M/s. Bhagwati Products Limited (Micromax) and M/s. LAVA International Limited for their units proposed to be set-up in Sri Venkateshwara Mobile and Electronics manufacturing Hub, Renigunta & Yerpedu Mandals , Chittor District for Manufacturing Mobile handsets, etc.:

(i) Mega Status – Mega project status to Mobile and Electronics (as defined in MSIPS policy of Government of India) manufacturing companies with investment of Rs.250 Crore or employment of 1,000 persons.

(ii) Investment Subsidy - To provide 20% Investment Subsidy, subject to the following cap:
   (a) For investment upto Rs. 100 crore – Investment subsidy upto.Rs. 10 crore.
   (b) for investment from Rs. 100 crore to Rs.300 crore - Investment subsidy Upto Rs. 20 crore.
   (c) For investments of Rs. 300 crore and above, Investment Subsidy would be considered on a case to case basis.

(iii) Interest Subsidy – To provide Interest Subsidy @ 5.0% upto Rs.1.50 crore per year for a period of 7 years.

(iv) VAT /SGST/ CST –
   a. 100% net VAT/SGST/CST reimbursement for 8 years, without any investment limit.
   b. 100% net VAT/CST /SGST reimbursement for parts, components, accessories of mobile phones/tablets/television sets and sub-parts manufactured in notified EMC park/clusters for 8 years, without any investment limit.

c. For investment more than Rs.500 crore and employment of minimum 2,000 persons : 100% VAT reimbursement for a period of 10 years.
d. VAT reimbursement is subject to entire investment being made within first 5 years from the date of issue of the relevant G.O.
e. Reimbursement to be made on a quarterly basis.
f. VAT / SGST rate is fixed at 5% during the applicable reimbursement period.

(v) Land Allotment–The Andhra Pradesh Industrial Infrastructure Corporation (APIIC) shall provide land, on outright sale basis, to the (4) units ,presently constituting the Sri Venkateswara Mobile and Electronics Manufacturing Hub, at a rate of Rs. 20 lakh per acre, to the extents mentioned as hereunder:
(a) M/s. Celkon Impex Pvt. Ltd. –Acs.19.28 cts.
(b) M/s. United Telelinks (Bangalore) Ltd. (Karbonn Mobiles) – Acs.15.00 cts.
(c) M/s. Bhagwati Products Limited (Micromax)- Acs.15.00 cts.
(d) M/s. LAVA International Ltd. – Acs.19.28 cts.

(vi) Logistic Support – Logistic subsidy of 25% of cost incurred on domestic transports and a sum of Rs 50 lakh per annum subsidy on Logistics for 5 years.

(vii) Power cost reimbursement -
(i) Power cost reimbursement @25% of power cost for a period of 5 years, limited to Rs 2.00 crore (for all 5 years).
(ii) Dedicated 33 KVA substation shall be installed by Government.
(iii) Uninterrupted power supply shall be provided.

(viii) Training & Skill Upgradation - Reimbursement of the cost incurred for Training & Skill Upgradation, subject to the following cap will be provided:
(a) For employment of up to 3,000 persons – training subsidy @ Rs 10,000 / employee.
(b) For employment of 3,000 – 5,000 persons - training subsidy @ Rs.15,000 / employee.
(c) For employment of more than 5,000 persons- training subsidy @ Rs. 20,000 / employee.

(ix) Subsidy equivalent to 50% of grant provided by the Govt. of India under National Policy for Electronics 2012 i.e. 25% limited to Rs. 25 crore for the development of EMC in terms of the cost incurred in developing infrastructure facilities, roads, power, water, testing faculties and social infrastructure etc. on the lines of U.P. Electronics Manufacturing Policy, 2014.

(x) These Units also eligilble for all other incentives provided in the A.P. Electronic Policy, 2014-20.

(xi) Permission is granted to M/s Celkon Impex Private Limited to carry out manufacturing of mobile phones in leased premises located at Amararaja Electronics Limited, Dighuvamagam Village, Chittor District and they are also eligible to avail the incentives extended in this order until their factory at SVM & EMH is established.

18. The incentives provided in this order are not as a general proposition and are limited to early arriving investors who bring a high value proposition to the State of Andhra Pradesh and therefore all the benefits available under this policy will be made applicable to the first (15) ancillaries in the notified EMCs in the State.

(BY ORDER AND IN THE NAME OF GOVENOR OF ANDHRA PRADESH)

S S RAWAT
SECRETARY TO GOVERNMENT &
COMMISSIONER FOR INDUSTRIAL PROMOTION

To
The Director of Industries, Andhra Pradesh, Hyderabad.
The Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation, Andhra Pradesh, Hyderabad.
The Spl. Chief Secretary to Government, Revenue (CT) Department
The Principal Secretary to Government, Finance Department

The Principal Secretary to Government, Water Resources Dept.
The Secretary to Government, Energy, I&I Department.
The Secretary to Govt., ITE&C Department, Andhra Pradesh, Hyderabad
The Secretary to Govt., Skill Development Enterpreneurship and Innovation Dept.
The District Collector, Chittoor.
M/s. Celkon Impex Pvt Ltd through Director of Industries
M/s. United Telelinks (Bangalore) Limited (Karbonn Mobiles) through Director of Industries
M/s Bhagwati Products Limited (Micromax) through Director of Industries
M/s LAVA International Ltd. through Director of Industries.
Copy to
The LET & F (Employment) Department.
The Law(H) Department.
The GM, DIC, Chittoor
The ZM, APIIC, Chittoor.
The Accountant General, Andhra Pradesh, Hyderabad
The Pay and Accounts Officer, Hyderabad.
All Departments of Secretariat.
The P.S. to Prl. Secretary to Chief Minister.
The P.S. to Chief Secretary to Government
The P.S. to Secretary to Government & CIP
C.No.5104/P&I/A1/2015
S F/SC.

// FORWARDED:: BY ORDER//

SECTION OFFICER